

EFFECT OF THE EUROPEAN WAR

315

" profiteers," from the needs and sorrows of their fellow-citizens both on the field, the sea, and at home.

Although I had here concluded my designed history, I am tempted to continue, for the purpose of describing the instructive and interesting measures for rectifying the monetary Exchange with America. In a former part of this chapter I adverted to the New York Bate of Exchange and the high price required to be paid in that market in dollars to acquire a claim to £1 in London.¹ During the progress of the war, a reverse position occurred : on the 24th of July 1914, *e.g.*, the cable sterling rate on London was 4*88|- dollars per £1, while on the 23rd July 1915, it had become depressed to 4-77| dollars, and on about the 3rd September the fall had reached 4-63 dollars.² The descent was consequent upon our inability to discharge, by exports, our immense imports from the United States of war materials. Gold shipments and the sales of American securities held by British owners had been proved insufficient to maintain the Exchange at a more satisfactory level to ourselves. It will thus be observed that since we purchase these materials from the United States at dollar prices, how seriously (when we remember the vast extent of the purchases) this country was

¹ The rate of exchange in the country A for cheques on the country B must correspond, or tend to correspond, with the rate of exchange in B for cheques upon A. Thus, if cheques on B stand at I per cent discount in A, cheques on A must be at 1 per cent premium in B, or, in other words, if 99 units of A's currency are equal in value for the time being to 100 units of B's currency, then 101 units of B's currency will approximately equal 100 units of A's currency :

$$\begin{array}{ccccccc} A & & B & & A & & B \\ (99 & : & 100 & :: & 100 & : & x \\ & & & \text{and } x = 101) \end{array}$$

² Consider the adverse condition to England here indicated, as showing on the date last mentioned, the value of a cheque for £100 in New York : —

The Mint par is 4*86|
dollars per £1 ; The rate of exchange considered is
• 4 '63 dollars per £1.

31. There is thus a fall of ~^~ of one dollar per £1 : assuming the dollar to be

worth 49[¢]£, the loss on £100 is about £4 16[⁄]100 : that is, the actual value of £100 rendered in New York would now be about £95, or a depreciation or discount of the sovereign, expressed in the New York rate, of about 5 per cent.